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FISCAL IMPACT STATEMENT

LS 7083

BILL NUMBER: HB 1246

NOTE PREPARED: Jan 9, 2011

BILL AMENDED:

SUBJECT: Federal Fund Exchange Program.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 X FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill establishes the Federal Fund Exchange Program (Program) to allow a county or municipality that receives funds from the Federal Surface Transportation Program to exchange the federal funds for an equal amount of state funds. It provides that the Indiana Department of Transportation (INDOT) shall administer the program.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The bill could increase administrative costs for INDOT for program administration, including estimating fund availability and entering into agreements with local units. Also, INDOT would report to the General Assembly on the Federal Fund Exchange Program. However, the Program could reduce certain costs for INDOT in providing federal funds for local projects, including letting projects and project oversight. Ultimately, the size of the program and the costs and savings would depend on the projects undertaken under the program.

Background: INDOT provides a portion of the federal funds it receives for local distribution, paid by reimbursement of local expenditures. INDOT is responsible for oversight of local projects, including letting bids for the project. In most cases, local units are required to provide or contract with a construction engineer or inspector to provide documentation of expenditures in order to assure compliance with federal regulations. INDOT is held responsible for all federal funds used in local projects and could pay penalties if federal rules are not followed.

Under the Federal Fund Exchange Program, a county or a municipality could enter into an agreement to

exchange federal funds for state funds in a 1:1 ratio. The local unit would still provide matching funds of 10% of the project cost, and INDOT would reimburse expenditures with state dollars. INDOT could then use the federal funds on presumably larger projects which would reduce administrative costs for the use of the federal funds.

Explanation of State Revenues:

Explanation of Local Expenditures: Using state funds instead of federal funds for transportation projects could reduce the requirements on the funds and reduce project administration costs.

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: INDOT.

Local Agencies Affected: Counties and municipalities.

Information Sources: Ron Seitz, Kansas Department of Transportation.

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